



Department of Justice

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JUSTICE DEPARTMENT RECOMMENDS TO FCC THAT IT DENY AMERITECH'S APPLICATION TO PROVIDE LONG DISTANCE IN MICHIGAN

**Ameritech has made Important Progress Towards Opening Local Phone Markets
in Michigan--But Not Enough to Satisfy the Law's Requirements, Justice Says**

WASHINGTON, D.C. -- The Department of Justice today recommended that the Federal Communications Commission deny an application by Ameritech to provide long distance service in Michigan, because Ameritech has not fully completed the legally required steps to open local telephone markets there to competition. In comments filed with the FCC, the Department did, however, note that Ameritech has made significant progress towards opening local telephone markets in Michigan.

"As a result of Ameritech's efforts and cooperation with the Department, as well as the State of Michigan's leadership in removing legal and economic barriers to entry, local competition is beginning to take root in Michigan," said Joel I. Klein, Acting Assistant Attorney General for the Department's Antitrust Division. "Though it has met several of the necessary conditions for entry, Ameritech has yet to meet all the law's requirements, including the items set out by Congress in the competitive checklist. Nor has Ameritech demonstrated that its markets are fully and irreversibly open to competition."

Following the break up of the integrated Bell system as part of the AT&T divestiture, the independent Bell Operating Companies, or BOCs, were barred from providing long distance services in their respective region as part of the Modified Final Judgment, or MFJ, in the AT&T case.

In 1995, the Department, Ameritech, AT&T, and other parties proposed a waiver of the MFJ, on a trial basis, to allow Ameritech to enter the in-region, long distance market once it had instituted a series of market opening measures and demonstrated that actual competitive opportunities were expanding. Though it never went into effect, this trial, called the "Customers First" plan, was an important step in the continuing, collective efforts of Ameritech, the Department, and the State of Michigan to open local markets in the state to competition as a means to lower prices, enhance service offerings and improve service for telephone customers.

As today's filing explains, implementing the complex processes that will be needed to facilitate local competition will take time and considerable effort. Though the progress towards opening the Michigan local market to competition has been substantial, Ameritech has yet to make the necessary demonstration to warrant in-region, long distance entry.

Under the Telecom Act, the BOCs are presently barred from offering in-region long distance service. Specifically, Section 271 of the Act prohibits a BOC, such as Ameritech, from providing in-region long distance services until it demonstrates to the FCC that it has met a variety of legal requirements designed to open the local telephone markets in a particular state to competition.

In considering whether to approve a BOC's application for long distance authority in a particular state, the FCC must consult with the Justice Department and give "substantial weight" to its assessment as to whether the BOC should be allowed to provide in-region long distance service.

In its evaluation of Ameritech's application, the Department concluded that Ameritech:

- Was not providing two "competitive checklist" items--unbundled switching, which allows competitors to direct the routing of calls and local transport, the system that actually carries local calls--in the manner required by orders of the FCC and the Michigan Public Service Commission.
- Had not shown that it had adequate systems for providing resale services and unbundled elements to its competitors, as required by the Telecom Act.
- Had not shown that it had fully resolved certain interconnection problems, which caused calls between an Ameritech customer and a competitor's customer to be blocked more frequently than were calls from one Ameritech customer to another Ameritech customer.
- Needed to improve the measurement of its performance in providing resale services and unbundled elements to its competitors, so that parity and nondiscrimination can be assured.

Ameritech filed its application with the FCC on May 21, 1997. Under the Telecom Act, the FCC must approve or deny the application by August 19, 1997.

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